CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 4, 1999

H.R. 417
Bipartisan Campaign Finance Reform Act of 1999

As ordered reported by the Committee on House Administration on August 2, 1999

SUMMARY

H.R. 417 would make numerous amendments to the Federal Election Campaign Act of 1971, including:

(1) raising both the total amount that individuals can contribute each year and the amount that they can contribute to state committees of political parties,

(2) prohibiting national committees of political parties from soliciting, receiving, directing, transferring , or spending so-called "soft money,"

(3) requiring the Federal Election Commission (FEC) to issue regulations requiring political committees to file certain information electronically,

(4) adding new disclosure requirements,

(5) establishing a clearinghouse for information on political activities within the FEC,

(6) increasing the amount of penalties and fines for violations of election laws,

(7) requiring political committees to temporarily deposit with the Treasury certain contributions to be returned to the donor pending investigation by the FEC of possible violations,

(8) limiting the Congressional use of the franking privilege, and

(9) establishing an independent commission on campaign finance reform.

Subject to the availability of appropriated funds, CBO estimates that implementing H.R. 417 would cost the federal government less than $5 million in fiscal year 2000, less than $4 million in fiscal year 2001, and less than $3 million each year thereafter. Those amounts include administrative and compliance costs for the FEC, as well as costs to establish the independent commission on campaign finance reform and the effects of limiting Congressional use of the franking privilege.

Enacting the bill also would increase collections of fines and penalties, but CBO estimates that the increase in governmental receipts would not be significant. Because the bill would affect receipts, pay-as-you-go procedures would apply.

H.R. 417 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill would create new private-sector mandates for national and state-level committees of political parties, federal office-holders, and other political organizations and individuals. CBO has not yet completed an estimate of the costs of these mandates, but will provide such an estimate at a later date.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Most of the costs of the bill would be discretionary spending incurred by the FEC. Enacting the bill also would increase collections of fines and penalties, but CBO estimates that the increase in governmental receipts would not be significant. The costs of this legislation fall within budget function 800 (general government).

Discretionary Spending

Implementing H.R. 417 would increase costs for the FEC and would necessitate new discretionary spending to establish an independent commission on campaign finance reform. The costs of Congressional franking could decline under H.R. 417, but CBO estimates that any such reduction would not be significant.

Federal Election Commission. H.R. 417 would require the FEC to issue regulations requiring political committees with a minimum level of aggregate expenditures to file their reports electronically. The FEC would be required to process and post the information on its Internet site within 24 hours of receiving the information. In addition, the bill would make several changes to how the FEC administers and investigates violations of the Federal Election Campaign Act and would require additional disclosures of contributions and disbursements. The bill also would establish a clearinghouse for information on political activities within the FEC.

Based on information from the FEC, and subject to the availability of appropriated funds, CBO estimates that the commission would spend about $1 million in fiscal year 2000 to reconfigure its information systems to handle the increased workload from accepting and processing daily reports, to write new regulations implementing the bill's provisions, and to print and mail materials informing candidates and committees of the new requirements.

In addition, the FEC would have to monitor political parties' compliance with the bill's provisions, as well as comply with the bill's changes in issuing opinions and investigating possible violations. CBO estimates that implementing H.R. 417 would increase compliance costs by no more than $3 million a year. CBO estimates that the annual cost for FEC to operate the clearinghouse for information on political activities would be negligible.

Independent Commission on Campaign Finance Reform. H.R. 417 also would establish a commission to study the laws relating to the financing of elections and to recommend legislation to reform those laws. The commission would be composed of 12 members and would have the authority to hire staff. The bill would require the commission to submit its report and recommendations within 180 days following the completion of the 106th Congress. Based on the cost of similar commissions, CBO estimates that the commission would cost around $1 million over fiscal years 2000 and 2001.

Limiting Congressional Use of the Franking Privilege. H.R. 417 would prohibit a Member of Congress from sending mass mailings (500 or more pieces of mail identical in content) during the 90 days prior to a primary or during the 180 days prior to a general election unless the Member does not plan to run for any federal office. The prohibition is currently 90 days prior to an election. Because the provision would not limit the total pieces of mail a Member would be allowed to send each year or otherwise reduce a Member's allocation for postage, CBO expects that limiting the time available for sending mass mailings would not have a significant budgetary impact.

Governmental Receipts

Enacting H.R. 417 would increase collections of fines and penalties for violations of campaign finance law. Also, the bill would require that campaigns deposit certain contributions with the Treasury, which could then be applied toward any fines or penalties. CBO estimates that the additional collections of penalties and fines would not be significant.

Escrow Fund

H.R. 417 would require political committees to deposit in an escrow fund at the Treasury any contribution or donation they receive that is equal to or greater than $500 and that the committee has not returned within 90 days of its receipt. The contribution would be held pending an investigation by the FEC. Depending on the results of that investigation, the contribution could be returned—with interest—to the donor, applied toward any fines, penalties, or costs associated with the investigation, or some combination of the two. The FEC would have 180 days to complete its investigation. Deposits to or withdrawals from the escrow fund would not be considered budgetary transactions. However, the bill specifies that some of the amounts deposited into the escrow fund could be used to offset costs of FEC investigations. Any such use of escrow funds would affect direct spending, but CBO expects that the amounts involved would be less than $500,000 a year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act specifies pay-as-you-go procedures for legislation affecting direct spending or receipts. These procedures would apply to H.R. 417 because it could affect both direct spending and receipts, but CBO estimates that the annual amount of such changes would not be significant.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 417 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would create new private-sector mandates for national and state-level committees of political parties, federal office-holders, and other political organizations and individuals. CBO has not yet completed an estimate of the costs of these mandates, but will provide such an estimate at a later date.

ESTIMATE PREPARED BY:

Federal Costs: John R. Righter and Mary Maginniss
Impact on the Private Sector: John Harris

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis